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JAPAN · ECONOMIC · INSTITUTE

JEI REPORT

NO. 4B
January 29, 1988

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Tokyo Works On New Economic Plan

In what has become a tradition, the Japanese government is developing a new medium-term economic plan even though the previous one still has two years to run. The current plan, adopted by the Nakasone cabinet August 12, 1983, called for 4 percent real annual growth through March 1991. Incredibly, the actual rate has been 3.95 percent for the first four fiscal years. Such accuracy, far better than in previous plans, would appear to suggest rigorous implementation. In fact, Tokyo does little to explicity assure that its goals are achieved.

Japan's Trade Account Reverses Course

Although Japan's huge trade surplus peaked in dollar terms last spring, few economists, whether in the government or outside, expected the full-year 1987 figure to come in far enough below 1986's record $82.7 billion number to take the heat off Tokyo in Washington and other world capitals. Their caution was justified. The yen's continued appreciation and stronger domestic demand did trim the surplus last year -- the first drop since 1982, but exports still topped imports by $79.8 billion.

Caution also permeates forecasts of Japan's 1988 trade results, although there is universal agreement that the surplus will shrink again. On the plus side, all signs point to a continuation of 1987's strong import performance. Capped by a jump of one-third-plus in the October-December period, purchases from abroad climbed 18.2 percent last year to a new high of $149.4 billion. This was not just a paper increase. Imports in volume terms continued to build on their 1986 gain of 13.3 percent, rising by an additional 7.4 percent, even though deliveries of crude oil, which make up more than one-third of the quantity index, were down by another 2.2 percent. But the clearest proof that the higher yen has changed purchasing patterns in Japan was the bigger volume of foreign manufactured products -- up by nearly 10 percent in 1987 on top of a 24.4 percent advance the year before.

Change in Volume of Japan's Exports and Imports

	Exports	Imports
1983	8.7%	1.3%
1984	15.4	10.7
1985	4.7	0.2
1986	-1.4	13.3
1987	-1.7	7.4
1985: I	6.9	0.6
II	6.8	-0.4
III	4.0	-2.8
IV	1.8	3.3
1986: I	-0.2	3.6
II	-0.9	16.8
III	-0.3	18.7
IV	-4.2	14.4
1987: I	-0.1	8.1
II	-3.9	3.6
III	-2.9	6.7
IV	0.0	11.3

A further slowdown in the growth of Japan's overseas sales should also help to rein in the 1988 dollar-denominated surplus, but most trade analysts are reluctant to predict much more than that given last year's export results.

Japan's Total Trade in Dollar Terms

(in millions of dollars)

	Exports (f.o.b.)	Change Over Year-Earlier Period	Imports (c.i.f.)	Change Over Year-Earlier Period	Trade Balance
1983	$146,928	5.8%	$126,393	-4.2%	$20,534
1984	170,114	15.8	136,503	8.0	33,611
1985	175,638	3.2	129,539	-5.1	46,099
1986	209,151	19.1	126,408	-2.4	82,743
1987	229,228	9.6	149,395	18.2	79,833
1985: I	38,503	-1.3	32,513	-5.7	5,991
II	43,748	0.6	32,094	-7.0	11,654
III	43,909	2.7	31,239	-8.1	12,671
IV	49,478	10.3	33,693	0.5	15,785
1986: I	45,499	18.2	33,005	1.5	12,494
II	53,166	21.5	31,424	-2.1	21,742
III	54,768	24.7	30,153	-3.5	24,615
IV	55,718	12.6	31,826	-5.5	23,892
1987: I	51,478	13.1	31,940	-3.2	19,539
II	56,946	7.1	36,357	15.7	20,589
III	57,871	5.7	38,328	27.1	19,543
IV	62,933	12.9	42,770	34.4	20,163

Japan's Total Trade in Yen Terms

(in billions of yen)

	Exports (f.o.b.)	Change Over Year-Earlier Period	Imports (c.i.f.)	Change Over Year-Earlier Period	Trade Balance
1983	Y34,909	1.4%	Y30,014	-8.1%	Y4,895
1984	40,325	15.5	32,321	7.7	8,004
1985	41,956	4.0	31,085	-3.8	10,871
1986	35,290	-15.9	21,551	-30.7	13,739
1987	33,317	-5.6	21,720	0.8	11,597
1985: I	9,898	9.5	8,340	4.3	1,559
II	11,025	11.1	8,093	2.8	2,932
III	10,591	2.4	7,534	-8.3	3,057
IV	10,442	-5.3	7,118	-13.6	3,323
1986: I	8,674	-12.4	6,334	-24.1	2,339
II	9,119	-17.3	5,399	-33.3	3,720
III	8,632	-18.5	4,758	-36.8	3,874
IV	8,865	-15.1	5,060	-28.9	3,806
1987: I	7,962	-8.2	4,953	-21.8	3,010
II	8,156	-10.6	5,204	-3.6	2,952
III	8,510	-1.4	5,641	18.6	2,869
IV	8,689	-2.0	5,922	17.0	2,767

Japan's Trade with the United States in Dollar Terms

(in millions of dollars)

	Exports (f.o.b.)	Change Over Year-Earlier Period	Imports (c.i.f.)	Change Over Year-Earlier Period	Trade Balance
1983	$42,829	17.9%	$24,648	1.9%	$18,181
1984	59,937	39.9	26,862	9.0	33,075
1985	65,278	8.9	25,793	-4.0	39,485
1986	80,456	23.3	29,054	12.6	51,401
1987	83,580	3.9	31,442	8.2	52,138
1985: I	13,346	6.8	6,771	1.3	6,575
II	16,837	9.0	6,641	-1.6	10,196
III	16,615	5.4	6,111	-9.8	10,504
IV	18,480	13.9	6,270	-5.7	12,211
1986: I	16,696	25.1	6,278	-7.3	10,418
II	20,921	24.3	8,305	25.1	12,616
III	21,280	28.1	7,525	23.1	13,755
IV	21,559	16.7	6,946	10.8	14,613
1987: I	18,003	7.8	6,961	10.9	11,041
II	21,187	1.3	7,589	-8.6	13,599
III	21,635	1.7	8,245	9.6	13,390
IV	22,755	5.5	8,649	24.5	14,107

Japan's Trade with the United States in Yen Terms

(in billions of yen)

	Exports (f.o.b.)	Change Over Year-Earlier Period	Imports (c.i.f.)	Change Over Year-Earlier Period	Trade Balance
1983	Y10,179	12.9%	Y5,855	-2.3%	Y4,323
1984	14,221	39.7	6,364	8.7	7,858
1985	15,583	9.6	6,213	-2.4	9,369
1986	13,564	-13.0	4,918	-20.9	8,646
1987	12,148	-10.4	4,575	-7.0	7,573
1985: I	3,429	18.3	1,737	11.9	1,692
II	4,244	20.4	1,674	8.8	2,569
III	4,008	5.2	1,474	-10.0	2,534
IV	3,903	-2.1	1,328	-18.7	2,575
1986: I	3,191	-6.9	1,203	-30.7	1,988
II	3,589	-15.4	1,421	-15.1	2,168
III	3,355	-16.3	1,190	-19.3	2,165
IV	3,429	-12.1	1,104	-16.9	2,325
1987: I	2,786	-12.7	1,080	-10.3	1,707
II	3,035	-15.4	1,085	-23.6	1,950
III	3,181	-5.2	1,214	2.0	1,967
IV	3,146	-8.2	1,197	8.4	1,950

Held down by a 1.7 percent drop in shipments, exports expanded by 9.6 percent in 1987 to $229.2 billion -- half of the year-earlier rate. But the cutback in volume terms was surprisingly modest, especially since deliveries had dipped by only 1.4 percent in 1986. Even more puzzling was the fact that fourth-quarter shipments were no lower than the comparable 1986 figure. This suggests that Japanese exporters can live with an exchange rate of 140 or 130 yen to the dollar.

Susan MacKnight

Notes

Fishing Update - The United States and Japan appear to be on a collision course over Japanese research whaling activities. On January 20 Commerce Secretary William Verity warned the Japanese Embassy that the taking of any whales for research purposes before the International Whaling Commission had completed voting on the issue would be considered a violation of U.S. fishing laws. A Japanese expedition is en route to the Antarctic to take as many as 300 Minke whales as part of a "comprehensive assessment" of the global whale population, as called for under a section of the IWC charter. Britain, however, submitted a resolution asking Japan to stop research whaling, but voting will not be completed until February 14.

U.S. conservation groups threw their weight behind the whales. Sixteen associations filed suit January 13 in U.S. District Court for the District of Columbia claiming that Japan's research whaling program is a smokescreen for continued commercial whaling. They argue that the research activities violate the 1982 IWC moratorium on whaling, reducing the IWC's effectiveness and triggering U.S. sanctions. Mr. Verity warned that the administration would invoke both the Packwood-Magnuson amendment, which would cut Japan's fishing quota in U.S. waters by 50 percent the first year and 100 percent the next, and the Pelly amendment, which would embargo all fish imports from Japan.

Tokyo shot back that the U.S. threats were discriminatory since Iceland's research whaling program has not been threatened with retaliation. That does seem to be the case: Iceland proposed reducing its program in exchange for continued U.S. fishing rights. Tokyo had also scaled back its program (from 875 mammals), but is still facing sanctions. If the IWC votes against Japan, Tokyo has warned that it would consider withdrawing. The sanctions may be symbolic in any case since the administration has not yet granted Japan a fishing quota for this year. (Japan was allowed to take 104,000 metric tons in 1987.) Moreover, U.S. exports of fish products to Japan are twice the value of this country's imports from Japan.

JEI Personnel Changes

The Japan Economic Institute is pleased to announce the appointment of Barbara Wanner as senior political analyst and editor of the Japan Economic Survey. She replaces Michael W. Chinworth, who has accepted a position as project director and program associate with Massachusetts Institute of Technology's Japan Program on Science and Technology.